

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

*Village of Middleville*  
*Barry County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended December 31, 2004*

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## INDEPENDENT AUDITORS' REPORT

Village Council  
Village of Middleville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the Village of Middleville, Michigan, as of December 31, 2004, and for the year then ended, which collectively comprise the Village of Middleville, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Village of Middleville, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the Village of Middleville, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 17, the Village has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of January 1, 2004.

The management's discussion and analysis, budgetary comparison schedules, and the schedule of funding progress of the employee retirement system, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Village Council  
Village of Middleville, Michigan  
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Middleville, Michigan's basic financial statements. The accompanying supplementary data is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

*Siegfried Crandall P.C.*

April 14, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Governmental Accounting Standards Board (GASB) has developed a standard, Statement No. 34 (GASB 34), to be used by local governments that will change the annual financial report in that it aggregates all government activities into two parts: governmental activities and business-type activities. GASB 34 also requires management to prepare a straightforward Management Discussion and Analysis (MD&A) of their local government's financial health during the past year. The reader should use this analysis along with the annual report to gain a complete picture of the Village of Middleville for 2004. The Village will continue to use fund accounting to record revenues and expenditures in accordance with the Michigan chart of accounts.

## **FINANCIAL HIGHLIGHTS**

- Net assets is the amount by which the Village's assets exceeded its liabilities. Net assets totaled \$7,419,716 at December 31, 2004. The unrestricted portion of this amount, \$3,086,798 (42 percent), is available to be used to meet the Village's ongoing obligations to citizens and creditors.
- The Village's total net assets increased by \$207,000 (3 percent) as a result of this year's activities. Net assets of the governmental and business-type activities increased by \$67,143 and \$139,857, respectively.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$254,475, which represents 31 percent of the actual total General Fund expenditures for the current fiscal year.
- *Deficits in the Local Street Fund and the Local Development Finance Authority (LDFA)*  
The fund deficit as of December 31, 2003, in the Local Street Fund of \$94,059 was eliminated by a transfer from the General Fund. The cash balance at the end of the year approximates \$38,000. The LDFA also amended a deficit plan to account for an additional payback to the General Fund for a 2003 street project and still owes approximately \$95,000 at the end of the year. Increased taxable value in the LDFA District by Metaldyne and Sequoia created by investments in machinery and equipment (\$17,352,847) will allow the LDFA to repay this final amount.
- *Downtown Development Authority tax capture corrected*  
An error in tax capture was found and corrected from unrestricted fund balance preventing a large future payback.
- *Governmental activities*  
The Village continued property tax rate responsibility by keeping its operating millage at 11.0739. Because of continued new growth in taxable value from \$63 million to \$73 million in the Village, property tax revenues continue to increase while resident taxpayers only absorb the average rate of inflation due to Proposal A. This increase in revenues allows the General Fund to absorb increases in operating costs and continue to transfer funds to the Local Street Fund (\$268,400 in 2004) to continue the Street Improvement Program.
- *Business-type activities*  
The Village's multi-year utility rate increase policy for commodity charges and connection fees keeps the utility fund revenues steady and avoids large increases all at once. The continued policy of new development paying for public water and sewer improvements allows the remaining resources to be used for repair and replacement of existing off-site infrastructure that serves these new developments.

### **Overview of the financial statements**

The Village's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents additional information. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village, reporting the Village's operations in more detail than the government-wide financial statements.
  - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Because this is the first year of this reporting format, a comparative analysis of the basic financial statements was not practicable. Comparative analyses of the basic financial statements will be made in subsequent years.

### **Government-wide financial statements**

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Village's net assets and how they have changed. Net assets (the difference between the Village's assets and liabilities) are one way to measure the Village's financial health, or position.

- Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village, you need to consider additional nonfinancial factors such as changes in the Village's property tax base and the condition of the Village's capital assets.



**Village of Middleville**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Government-wide financial statements (Continued)**

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as police protection and general government. Property taxes and state shared revenue finance most of these activities.
- *Business-type activities* - The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer and water systems are reported here.
- *Component units* - The Village includes two other entities in its report - the Downtown Development Authority and the Local Development Finance Authority. Although legally separate, these "component units" are important because the Village is financially accountable for them.

**Fund financial statements**

The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- The Village Council establishes other funds to control and manage money for particular purposes (like street maintenance) to show that it is properly using certain revenues (like state grants collected for the street funds).

The Village has two kinds of funds:

- *Governmental funds* - Most of the Village's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

The General Fund is the most diverse governmental fund. The General Fund accounts for general administration, accounting, planning and zoning, parks and recreation, sidewalks, and other general government activities. Law enforcement is also accounted for in this fund.

The Major (5.5 miles) and Local (7.84 miles) Street Funds account for improvements to and preservation of the 13.34 miles of streets in the Village. It should be noted that state revenues pay for Major Street activities, but Local Street activities must be subsidized by transfers from the General Fund.

The Drug Enforcement Law Fund accounts for the seizure of illegal drug monies which are restricted. They can only be used for drug enforcement purposes. The Drug Enforcement Law Fund is a nonmajor fund.

**Fund financial statements (Continued)**

- *Proprietary funds* - Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Village's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.

The Sewer Fund is an important fund of the Village as it records the revenues from charges to the sewer customers and receipts in the form of connection fees made by developers that all pay for the maintenance of the sewer system and wastewater treatment plant. Middleville is very flat and needs to use several lift stations to move wastewater to the treatment plant.

The Water Fund records revenues from charges to the water customers and receipts from developers in the form of connection fees to pay for the maintenance of the water system, wells, a tower, and two booster stations.

The Village uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the Village's other programs and activities. The Village's internal service fund is its Motor Vehicle Equipment Fund. This fund rents a fleet of equipment to all the other funds at rates established by the state.

**Component units**

The Downtown Development Authority and the Local Development Finance Authority, although legally separate, are included in the Village's financial report because the Village is financially accountable for them.

The Local Development Finance Authority (LDFA) was created by the Village to capture property taxes from certain taxing units from a specific district within the Village to finance public improvements to that district. This entity has completed most of its plan by renovating the streets that serve its district.

The Downtown Development Authority (DDA) was also created by the Village to capture property taxes from certain taxing units from a specific district within the Village to finance public improvements to that district. The State Equalized Value (SEV) of the DDA district has increased from \$5 million to \$12 million since the DDA was created in 2000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

**Net assets.** The Village's *combined* net assets increased by 2.54 percent between December 31, 2003 and 2004. While the Village reports unrestricted net assets under both governmental and business-type activities, the unrestricted net assets of the business-type activities cannot be used to make up any net asset deficit in governmental activities.

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Current assets	\$ 1,257,182	\$ 1,930,687	\$ 3,187,869
Noncurrent assets	877,903	6,256,513	7,134,416
<b>Total assets</b>	<b>2,135,085</b>	<b>8,187,200</b>	<b>10,322,285</b>
Long-term debt outstanding	109,202	2,735,000	2,844,202
Other liabilities	-	58,367	58,367
<b>Total liabilities</b>	<b>109,202</b>	<b>2,793,367</b>	<b>2,902,569</b>
Net assets:			
Invested in capital assets, net of related debt	624,098	2,441,786	3,065,884
Restricted	515,180	751,854	1,267,034
Unrestricted	886,605	2,200,193	3,086,798
<b>Total net assets</b>	<b>\$ 2,025,883</b>	<b>\$ 5,393,833</b>	<b>\$ 7,419,716</b>

**Village of Middleville**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (Continued)**

**Changes in net assets.** The Village's total revenues for 2004 were \$2,219,141. More than 33 percent of the Village's revenues come from property taxes, and 25 percent comes from public utility fees.

The total cost of all the Village's programs for 2004, covering a wide range of services, totaled \$2,012,141. More than 41 percent of the Village's costs relate to the provision of utility services and governmental public works costs represent approximately 28 percent of all costs.

	<u>Governmental activities</u>	<u>Per- cent</u>	<u>Business-type activities</u>	<u>Per- cent</u>	<u>Totals</u>	<u>Per- cent</u>
Program revenues:						
Charges for services	\$ 4,194	0%	\$ 560,105	58%	\$ 564,299	26%
Operating contributions	231,128	19%	-	0%	231,128	10%
Capital contributions	-	0%	357,050	37%	357,050	16%
General revenues:						
Property taxes	733,710	59%	-	0%	733,710	33%
State grants	242,437	19%	-	0%	242,437	11%
Other	39,304	3%	51,213	5%	90,517	4%
Total revenues	<u>1,250,773</u>	100%	<u>968,368</u>	100%	<u>2,219,141</u>	100%
Expenses:						
Public works	556,925	47%	-	0%	556,925	28%
Public safety	215,519	18%	-	0%	215,519	11%
Water	-	0%	222,975	27%	222,975	11%
Sewer	-	0%	605,536	73%	605,536	30%
General government	253,884	22%	-	0%	253,884	13%
Recreation and culture	42,829	4%	-	0%	42,829	2%
Community and economic development	97,981	8%	-	0%	97,981	5%
Legislative	16,492	1%	-	0%	16,492	0%
Total expenses	<u>1,183,630</u>	100%	<u>828,511</u>	100%	<u>2,012,141</u>	100%
Increase in net assets	<u>\$ 67,143</u>		<u>\$ 139,857</u>		<u>\$ 207,000</u>	

**Governmental activities**

Governmental activities increased the Village's net assets by \$67,143. The increase was the result of an increase in property tax revenues and efforts to control costs.

**Village of Middleville**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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***Governmental activities (Continued)***

The following table shows the costs of the Village's three largest programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the Village's taxpayers by each of these functions.

The total cost of all governmental activities was \$1,183,630.

However, the amount that our taxpayers paid for these activities through general revenues was \$948,308. Some of the cost was paid by:

- Those who directly benefited from the programs (\$4,194), or
- Other governments that subsidized certain programs with grants and contributions (\$231,128).

The Village paid for the \$948,308 "public benefit" portion with \$733,710 in property taxes and with other revenues, such as state shared revenue and interest income.

	<i><u>Total cost of services</u></i>	<i><u>Net cost of services</u></i>
Public works	\$ 556,925	\$ 356,659
General government	253,884	253,884
Public safety	215,519	215,519
Other	<u>157,302</u>	<u>122,246</u>
Total	<u>\$ 1,183,630</u>	<u>\$ 948,308</u>

***Business-type activities***

Business-type activities increased the Village's net assets by \$139,857. Both the Sewer and Water funds generated an increase in net assets primarily due to the collection of a substantial amount of connection fees (\$191,000) in 2004. However, each fund experienced an operating loss because current charges do not provide sufficient funds to cover current operating costs. The Sewer and Water funds experienced operating losses of \$52,514 and \$11,164, respectively.

***Component unit activities***

- DDA - This entity is self-funded by the use of captured tax revenues in accordance with state law and once capital improvements are made, they become assets of the Village. Even though the DDA had to repay an erroneous capture, the DDA still has sufficient funds to sponsor old downtown events and spend brick and mortar dollars to spur investment in the District.

***Component unit activities (Continued)***

- LDFA - This entity is self-funded by the use of captured tax revenues in accordance with state law and once capital improvements are made they become assets of the Village. Once the current deficit (\$95,000) is eliminated, the growth at Metaldyne will bring in additional captured taxes to finance future projects.

**FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

**Governmental funds**

As of December 31, 2004, the Village's governmental funds reported total fund balances of \$1,117,642, an increase of \$50,706 over last year's balances. The General Fund experienced a decrease (\$48,968) primarily due to a transfer to the Local Street Fund of \$268,400 in support of street preservation and maintenance costs. In addition, these other changes in fund balances should be noted:

- The fund balance of the Local Street Fund increased by \$124,235, reflecting excess amounts transferred in from the General Fund in support of current expenditures.
- The fund balance of the Major Street Fund decreased slightly, by \$24,729, due to current street maintenance costs.

The General Fund is the chief operating fund of the Village. At the end of the fiscal year, unreserved fund balance was \$254,475, which represents 31 percent of the actual total General Fund expenditures for the current fiscal year. The General Fund has the greatest flexibility in that it provides a variety of services to the residents. Property taxes only compose 44% of the General Fund revenues, while state shared revenues compose 16%. Because of the new growth in the Village, cuts in state shared revenues have been offset. Management's goal is to increase the unrestricted cash balance of the fund to an amount representing 25 percent of expenditures over the next five years, while still continuing to subsidize the street improvement program. A detailed sidewalk survey has been completed and construction to fill in gaps along with new sidewalks being constructed as part of new developments will help Middleville achieve a "Walkable Community" environment.

***Proprietary funds***

The Water Fund has no debt at this time and operating revenues almost cover expenses. The total assets of the fund are \$1,520,011 of which cash is \$515,982. The total liabilities are \$10,724 leaving net assets of \$1,509,287. The Village has committed to the State to make system improvements, put in a new production well, and build a new water tower. This will create debt and require a rate increase. Continued growth brings in connection fees that increase the available cash to offset some of the future capital needs for the system improvements. Estimated borrowing needs for this fund in 2006 are \$1.2 million.

The Sewer Fund owes Barry County who sold the bonds to finance the sewer system improvements in 1998. The total assets of this fund are \$6,667,189 primarily reflected in a new treatment facility. The total liabilities of the Sewer Fund are \$2,782,643, which is primarily the debt to be paid off, leaving net assets of \$3,884,546. The current debt charge to the customers of the system is insufficient to pay the annual debt service costs and is supplemented by developer connection fees. Continued repair/replacement of the underground system creating capacity forestalls the need to expand the treatment facility, which is designed to have "cells" added to it instead of building a whole new plant.

**Village of Middleville**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Internal Service**

The Motor Vehicle Equipment Fund (MVEF) pays for its annual operational expenses by rates charged to other funds for the use of its assets. The Village has recently compiled a Capital Improvement Plan (CIP) so that major purchases can be scheduled over time. An example of the impact of major purchases can be shown in the acquisition of a new end loader expected to cost \$100,000, which represents 23% of the total value of the fund's machinery, equipment, and vehicle assets. This piece of equipment can be purchased with the fund's unrestricted cash (\$284,143) and will be replacing a 1988 end loader still in use in 2004.

**General Fund budgetary highlights**

The difference between the original budget and the final amended budget for expenditures was an increase of \$47,049, primarily due to an expected increase in law enforcement costs. All budget amendments were funded through an increase in the budget for state shared revenue. Actual revenues were \$108,661 less than the total amount budgeted because property tax revenues did not increase as much as expected. Actual expenditures were \$158,960 less than the total amount budgeted due to efforts to control costs and the postponement of some capital expenditures.

**Capital assets and debt administration**

*Capital assets*

The Village's investment in capital assets for its governmental and business-type activities as of December 31, 2004, amounts to \$5,800,884 (net of accumulated depreciation). This investment includes a broad range of assets including land, equipment, buildings, and sewer and water facilities. The increase in the Village's net investment in capital assets for the current fiscal year was \$352,358, or approximately 6% percent.

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Total</i>
Infrastructure	\$ -	\$ 5,098,030	\$ 5,098,030
Buildings and improvements	524,940	-	524,940
Equipment	99,158	35,626	134,784
Land	-	43,130	43,130
Total	<u>\$ 624,098</u>	<u>\$ 5,176,786</u>	<u>\$ 5,800,884</u>

Major capital asset events during the current fiscal year included the following:

- 2004 Street Improvement Project, which spent \$107,086 in the Water System and \$153,348 in the Sewer System.
- Acquisition of a lawn mower for \$16,431.

More detailed information about the Village's capital assets is presented in Note 5 of the basic financial statements.

**Village of Middleville**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Capital assets and debt administration (Continued)**

*Debt administration*

At the end of the fiscal year, the Village had total long-term obligations outstanding in the amount of \$2,735,000, which represents a decrease of \$85,000 or 3 percent. All debt is backed by the full faith and credit of the Village and is financed by specific user fees.

During the year ended December 31, 2004, the Village decreased its long-term obligations through the payment of principal totaling \$85,000.

State statutes limit the amount of general obligation debt the Village can issue to 10 percent of its total state equalized assessed value of property. The Village's total debt (\$2,735,000) is significantly lower than the current state-imposed limit of \$9,630,020.

The Village has the responsibility to meet the 2005 principal and interest payments of \$90,674 and \$214,382 to Barry County for the 1999 Sewer System improvements bond issue and the refinanced issue of 2003. The 2003 refinancing issue will be saving the Village almost \$40,000 over the life of the debt.

All scheduled debt payments were made in 2004.

More detailed information about the Village's long-term liabilities is presented in Note 10 of the basic financial statements.

**Economic condition and outlook**

The Village continues to experience a high growth rate, which has insulated Village operations from the economic downturns experienced in other parts of the state. Most recently Metaldyne, Sequoia (\$17 million), and Alliance Sheet Metal have announced intent to invest in machinery and equipment (\$20 million combined) and create 112 new jobs (total combined).

The State of Michigan continues to struggle and local governments are wary of additional cuts to shared revenues. The Village can depend on a minimal annual payment of \$188,000 as required by the constitution. However, the statutory allocation is now at \$246,000, while the Village continues to only budget to receive \$200,000 to be conservative.

The new Federal Highway Transportation bill (TEA-21) has a \$4.4 million grant to fund a new bridge across the Thornapple River through the Barry County Road Commission using Crane Road. If approved, this would provide an important truck route from Barry County's largest employer, the Bradford White Corporation (BWC) to US-131. The Village continues to work aggressively with BWC as they evaluate future investments in their operations. BWC provides more than 20% of the Village's property tax revenues and over 1,000 jobs to the area.

The Village water system will be improved in 2005 as the Village searches for a new well and makes system improvements as the Village moves closer to financing these improvements through Michigan's Drinking Water Revolving Loan Fund (DWRLF).



**Contacting the Village's financial management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Ron Howell, Village Manager  
Village of Middleville  
100 East Main Street  
Middleville, Michigan 49333-0069

Phone: (269) 795-3385

## **BASIC FINANCIAL STATEMENTS**

**Village of Middleville**  
**STATEMENT OF NET ASSETS**  
December 31, 2004

	<u>Primary government</u>			<u>Component units</u>	
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>	<u>Local Development Finance Authority</u>	<u>Downtown Development Authority</u>
<b>ASSETS</b>					
Current assets:					
Cash	\$ 869,371	\$ 1,537,267	\$ 2,406,638	\$ -	\$ 27,862
Receivables (net)	198,338	393,420	591,758	-	-
Due from component unit	95,291	-	95,291	-	-
Advances to component units	94,182	-	94,182	-	-
Total current assets	<u>1,257,182</u>	<u>1,930,687</u>	<u>3,187,869</u>	<u>-</u>	<u>27,862</u>
Noncurrent assets:					
Cash - restricted	-	564,877	564,877	-	-
Receivables (net)	-	449,671	449,671	-	-
Advance to component unit	253,805	-	253,805	-	-
Capital assets, net of accumulated depreciation	624,098	5,176,786	5,800,884	-	-
Deferred charges	-	65,179	65,179	-	-
Total noncurrent assets	<u>877,903</u>	<u>6,256,513</u>	<u>7,134,416</u>	<u>-</u>	<u>-</u>
Total assets	<u>2,135,085</u>	<u>8,187,200</u>	<u>10,322,285</u>	<u>-</u>	<u>27,862</u>
<b>LIABILITIES</b>					
Current liabilities:					
Payables	91,345	58,367	149,712	-	-
Escrow deposit	17,857	-	17,857	-	-
Due to primary government	-	-	-	95,291	-
Advances from primary government	-	-	-	66,000	28,182
Current portion of long-term obligations	-	210,000	210,000	-	-
Total current liabilities	<u>109,202</u>	<u>268,367</u>	<u>377,569</u>	<u>161,291</u>	<u>28,182</u>
Noncurrent liabilities:					
Advance from primary government	-	-	-	-	253,805
Long-term obligations	-	2,525,000	2,525,000	-	-
Total liabilities	<u>109,202</u>	<u>2,793,367</u>	<u>2,902,569</u>	<u>161,291</u>	<u>281,987</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	624,098	2,441,786	3,065,884	-	-
Restricted:					
Public works	502,145	-	502,145	-	-
Public safety	13,035	-	13,035	-	-
Debt service	-	751,854	751,854	-	-
Unrestricted (deficit)	886,605	2,200,193	3,086,798	(161,291)	(254,125)
Total net assets	<u>\$ 2,025,883</u>	<u>\$ 5,393,833</u>	<u>\$ 7,419,716</u>	<u>\$ (161,291)</u>	<u>\$ (254,125)</u>

See notes to the financial statements

**Village of Middleville**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2004

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 16,492	\$ -	\$ -	\$ -
General government	253,884	-	-	-
Public safety	215,519	-	-	-
Public works	556,925	-	200,266	-
Community and economic development	97,981	4,194	30,862	-
Recreation and culture	42,829	-	-	-
Total governmental activities	<u>1,183,630</u>	<u>4,194</u>	<u>231,128</u>	<u>-</u>
Business-type activities:				
Sewer	605,536	348,294	-	286,936
Water	222,975	211,811	-	70,114
Total business-type activities	<u>828,511</u>	<u>560,105</u>	<u>-</u>	<u>357,050</u>
Total primary government	<u>\$ 2,012,141</u>	<u>\$ 564,299</u>	<u>\$ 231,128</u>	<u>\$ 357,050</u>
Component units:				
Local Development Finance Authority	\$ 8,580	\$ -	\$ -	\$ -
Downtown Development Authority	25,682	-	-	-
Total component units	<u>\$ 34,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues  
Property taxes  
State shared revenue  
Interest income  
Other

Total general revenues

Change in net assets

Net assets (deficit) - beginning

Net assets (deficit) - ending

<b>Net (expenses) revenues and changes in net assets</b>				
<b>Primary government</b>			<b>Component units</b>	
<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Totals</b>	<b>Local Development Finance Authority</b>	<b>Downtown Development Authority</b>
\$ (16,492)	\$ -	\$ (16,492)	\$ -	\$ -
(253,884)	-	(253,884)	-	-
(215,519)	-	(215,519)	-	-
(356,659)	-	(356,659)	-	-
(62,925)	-	(62,925)	-	-
(42,829)	-	(42,829)	-	-
(948,308)	-	(948,308)	-	-
-	29,694	29,694	-	-
-	58,950	58,950	-	-
-	88,644	88,644	-	-
(948,308)	88,644	(859,664)	-	-
-	-	-	(8,580)	-
-	-	-	-	(25,682)
-	-	-	(8,580)	(25,682)
733,710	-	733,710	150,973	73,518
242,437	-	242,437	34,991	-
36,613	51,213	87,826	549	937
2,691	-	2,691	-	385
1,015,451	51,213	1,066,664	186,513	74,840
67,143	139,857	207,000	177,933	49,158
1,958,740	5,253,976	7,212,716	(339,224)	(303,283)
<u>\$ 2,025,883</u>	<u>\$ 5,393,833</u>	<u>\$ 7,419,716</u>	<u>\$ (161,291)</u>	<u>\$ (254,125)</u>

See notes to the financial statements

**Village of Middleville**  
**BALANCE SHEET - governmental funds**  
December 31, 2004

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor governmental fund</u>	<u>Total governmental funds</u>
<b>ASSETS</b>					
Cash	\$ 52,727	\$ 481,570	\$ 37,896	\$ 13,035	\$ 585,228
Receivables (net)	170,024	21,180	7,134	-	198,338
Due from component unit	95,291	-	-	-	95,291
Long-term advances to component units	<u>347,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>347,987</u>
Total assets	<u>\$ 666,029</u>	<u>\$ 502,750</u>	<u>\$ 45,030</u>	<u>\$ 13,035</u>	<u>\$ 1,226,844</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payables	\$ 35,668	\$ 40,823	\$ 14,854	\$ -	\$ 91,345
Escrow deposit	<u>17,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,857</u>
Total liabilities	<u>53,525</u>	<u>40,823</u>	<u>14,854</u>	<u>-</u>	<u>109,202</u>
Fund balances:					
Reserved for:					
Long-term advances	347,987	-	-	-	347,987
Right-of-way expenditures	10,042	-	-	-	10,042
Unreserved, undesignated	<u>254,475</u>	<u>461,927</u>	<u>30,176</u>	<u>13,035</u>	<u>759,613</u>
Total fund balances	<u>612,504</u>	<u>461,927</u>	<u>30,176</u>	<u>13,035</u>	<u>1,117,642</u>
Total liabilities and fund balances	<u>\$ 666,029</u>	<u>\$ 502,750</u>	<u>\$ 45,030</u>	<u>\$ 13,035</u>	

Amounts reported for *governmental activities* in the statement of net assets (Page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 302,880

An internal service fund is used by management to charge costs of equipment to individual funds. The assets and liabilities of the internal service fund are included in *governmental activities* in the statement of net assets. 605,361

Net assets of *governmental activities* (page 5) \$ 2,025,883

See notes to the financial statements

**Village of Middleville**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**

**BALANCES - governmental funds**

Year ended December 31, 2004

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor governmental fund</u>	<u>Total governmental funds</u>
<b>REVENUES</b>					
Taxes	\$ 733,710	\$ -	\$ -	\$ -	\$ 733,710
State grants	242,437	142,332	47,892	-	432,661
Charges for services	30,862	-	-	-	30,862
Licenses and permits	4,194	-	-	-	4,194
Interest and rentals	29,864	2,965	356	168	33,353
Other	10,047	-	-	-	10,047
Total revenues	<u>1,051,114</u>	<u>145,297</u>	<u>48,248</u>	<u>168</u>	<u>1,244,827</u>
<b>EXPENDITURES</b>					
Legislative	16,492	-	-	-	16,492
General government	242,096	-	-	-	242,096
Public safety	215,519	-	-	-	215,519
Public works	214,223	170,026	192,413	-	576,662
Community and economic development	97,981	-	-	-	97,981
Recreation and culture	45,371	-	-	-	45,371
Total expenditures	<u>831,682</u>	<u>170,026</u>	<u>192,413</u>	<u>-</u>	<u>1,194,121</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>219,432</u>	<u>(24,729)</u>	<u>(144,165)</u>	<u>168</u>	<u>50,706</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer in	-	-	268,400	-	268,400
Transfer out	(268,400)	-	-	-	(268,400)
Total other financing sources (uses)	<u>(268,400)</u>	<u>-</u>	<u>268,400</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(48,968)	(24,729)	124,235	168	50,706
<b>FUND BALANCES - BEGINNING</b>	<u>661,472</u>	<u>486,656</u>	<u>(94,059)</u>	<u>12,867</u>	<u>1,066,936</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 612,504</u>	<u>\$ 461,927</u>	<u>\$ 30,176</u>	<u>\$ 13,035</u>	<u>\$ 1,117,642</u>

See notes to the financial statements

**Village of Middletown**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds (Continued)**

*Year ended December 31, 2004*

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Reconciliation of the statement of revenues, expenditures, and changes in fund balances  
to the statement of activities:

Net change in fund balances - total governmental funds (page 8)	\$ 50,706
Amounts reported for <i>governmental activities</i> in the statement of activities (Page 6) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives as depreciated expense. This is the amount by which depreciation (\$13,346) exceeded capital outlay (\$0) in the current period.	(13,346)
The net revenue of the internal service fund is reported with <i>governmental activities</i> .	<u>29,783</u>
Change in net assets of <i>governmental activities</i> (page 6)	<u>\$ 67,143</u>

*See notes to the financial statements*



**Village of Middleville**  
**STATEMENT OF NET ASSETS - proprietary funds**  
December 31, 2004

	<b>Business-type activities</b>			<b>Governmental activities</b>
	<b>Enterprise funds</b>			<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Totals</b>	
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,021,285	\$ 515,982	\$ 1,537,267	\$ 284,143
Receivables (net)	353,600	39,820	393,420	-
Total current assets	1,374,885	555,802	1,930,687	284,143
Noncurrent assets:				
Cash - restricted	564,877	-	564,877	-
Receivables (net)	449,671	-	449,671	-
Capital assets, net of accumulated depreciation	4,212,577	964,209	5,176,786	321,218
Deferred charges	65,179	-	65,179	-
Total noncurrent assets	5,292,304	964,209	6,256,513	321,218
Total assets	6,667,189	1,520,011	8,187,200	605,361
<b>LIABILITIES</b>				
Current liabilities:				
Payables	47,643	10,724	58,367	-
Current portion of long-term debt	210,000	-	210,000	-
Total current liabilities	257,643	10,724	268,367	-
Noncurrent liabilities:				
Long-term obligations	2,525,000	-	2,525,000	-
Total liabilities	2,782,643	10,724	2,793,367	-
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	1,477,577	964,209	2,441,786	321,218
Restricted for debt service	751,854	-	751,854	-
Unrestricted (deficit)	1,655,115	545,078	2,200,193	284,143
Total net assets	\$ 3,884,546	\$ 1,509,287	\$ 5,393,833	\$ 605,361

See notes to the financial statements

**Village of Middleville**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - *proprietary funds***

*Year ended December 31, 2004*

	<b><i>Business-type activities</i></b>			<b><i>Governmental activities</i></b>
	<b><i>Enterprise funds</i></b>			<b><i>Internal service</i></b>
	<b><i>Sewer</i></b>	<b><i>Water</i></b>	<b><i>Totals</i></b>	
<b>OPERATING REVENUES</b>				
Charges for services:				
Public utility fees	\$ 348,294	\$ 211,811	\$ 560,105	\$ -
Equipment rental	-	-	-	115,482
		-		
Total operating revenues	<u>348,294</u>	<u>211,811</u>	<u>560,105</u>	<u>115,482</u>
<b>OPERATING EXPENSES</b>				
Personnel costs	35,949	72,604	108,553	18,538
Contracted services	186,991	21,387	208,378	-
Supplies	6,896	10,581	17,477	33,256
Utilities	32,139	26,588	58,727	-
Internal charges	16,587	28,865	45,452	-
Miscellaneous	15,107	30,168	45,275	-
Depreciation	<u>107,039</u>	<u>32,782</u>	<u>139,821</u>	<u>39,851</u>
Total operating expenses	<u>400,708</u>	<u>222,975</u>	<u>623,683</u>	<u>91,645</u>
Operating income (loss)	<u>(52,414)</u>	<u>(11,164)</u>	<u>(63,578)</u>	<u>23,837</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Gain on sale of capital assets	-	-	-	2,686
Debt retirement charges	165,610		165,610	-
Connection fees	121,326	70,114	191,440	-
Special assessment interest	22,497	-	22,497	-
Interest revenue	22,647	6,069	28,716	3,260
Interest expense	<u>(204,828)</u>	<u>-</u>	<u>(204,828)</u>	<u>-</u>
Total nonoperating revenues	<u>127,252</u>	<u>76,183</u>	<u>203,435</u>	<u>5,946</u>
<b>CHANGE IN NET ASSETS</b>	<u>74,838</u>	<u>65,019</u>	<u>139,857</u>	<u>29,783</u>
<b>NET ASSETS - BEGINNING</b>	<u>3,809,708</u>	<u>1,444,268</u>	<u>5,253,976</u>	<u>575,578</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 3,884,546</u>	<u>\$ 1,509,287</u>	<u>\$ 5,393,833</u>	<u>\$ 605,361</u>

*See notes to the financial statements*

**Village of Middleville**

**STATEMENT OF CASH FLOWS - proprietary funds**

Year ended December 31, 2004

	<b>Business-type activities</b>			<b>Governmental activities</b>
	<b>Enterprise funds</b>			<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Totals</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 335,836	\$ 241,790	\$ 577,626	\$ 115,482
Payments to vendors and suppliers	(231,753)	(87,407)	(319,160)	(33,256)
Payments to employees	(33,400)	(67,458)	(100,858)	(18,538)
Internal activity - payments to other funds	(16,587)	(28,865)	(45,452)	-
Net cash provided by operating activities	54,096	58,060	112,156	63,688
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Debt retirement charges	165,610	-	165,610	-
Connection fees	121,326	70,114	191,440	-
Special assessment principal collections	51,617	-	51,617	-
Special assessment interest	22,497	-	22,497	-
Proceeds from sale of capital assets	-	-	-	2,686
Acquisition of capital assets	(103,379)	(108,942)	(212,321)	(16,431)
Principal payments on long-term debt	(210,000)	-	(210,000)	-
Interest payments on long-term debt	(107,311)	-	(107,311)	-
Net cash used in capital and related financing activities	(59,640)	(38,828)	(98,468)	(13,745)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	22,647	6,069	28,716	3,260
<b>NET INCREASE IN CASH</b>	17,103	25,301	42,404	53,203
<b>CASH - BEGINNING</b> (including \$569,530 in restricted accounts)	1,569,059	490,681	2,059,740	230,940
<b>CASH - ENDING</b> (including \$564,877 in restricted accounts)	\$ 1,586,162	\$ 515,982	\$ 2,102,144	\$ 284,143

See notes to the financial statements

**Village of Middleville****STATEMENT OF CASH FLOWS - proprietary funds (Continued)**

Year ended December 31, 2004

	<b><i>Business-type activities</i></b>			<b><i>Governmental activities</i></b>
	<b><i>Enterprise funds</i></b>			<b><i>Internal service</i></b>
	<b><i>Sewer</i></b>	<b><i>Water</i></b>	<b><i>Totals</i></b>	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (52,414)	\$ (11,164)	\$ (63,578)	\$ 23,837
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	107,039	32,782	139,821	39,851
(Increase) decrease in receivables, net	(12,458)	29,979	17,521	-
Increase in payables	<u>11,929</u>	<u>6,463</u>	<u>18,392</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 54,096</u>	<u>\$ 58,060</u>	<u>\$ 112,156</u>	<u>\$ 63,688</u>

See notes to the financial statements

**Village of Middleville**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Village of Middleville, Michigan (the Village), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

*a) Reporting entity:*

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely-presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Village.

*Discretely-presented component units:*

*Local Development Finance Authority and Downtown Development Authority*

Each component units' governing body is appointed by the Village Council and their debt remains with the Village. Separate financial statements for the component units have not been issued as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of each component unit.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**Village of Middleville**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (Continued):*

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for the use of motor fuel taxes, which are earmarked by state statute for major street repairs and improvements.

The Local Street Fund accounts for the use of motor fuel taxes, which are earmarked by the state for local street repairs and improvements.

The Village reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Village's sewage collection systems and treatment plant.

The Water Fund accounts for the activities of the Village's water distribution and treatment system.

Additionally, the Village reports the following fund type:

The Motor Vehicle Equipment Fund, an internal service fund, accounts for the financing of services provided to other departments or agencies of the Village on a cost-reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector standards.

**Village of Middleville**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

*ii) Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances *outstanding* between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Village considers all receivables to be fully collectible.

*iii) Deferred charges* - Certain payments in connection with obtaining long-term financing have been deferred and are being amortized over the life of the related debt using the straight-line method.

*iv) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Village has elected to account for its infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	3 - 20 years
Sewage disposal system	50 - 70 years
Water distribution system	20 - 75 years

**Village of Middleville**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*d) Assets, liabilities, and net assets or equity (Continued):*

*v) Compensated absences* - The employment policies for accumulation of earned, but unused, vacation and sick leave benefits are as follows:

Vacation time is earned in varying amounts depending upon years of service. Employees may accumulate and carry over a maximum of fifty percent of earned vacation as approved by the Village Manager. Upon termination, employees are not paid for unused vacation time.

Employees are granted six paid sick days per year. Unused sick time may be accumulated and added to the following year so that an employee may accumulate up to a maximum of twelve sick days. Upon termination, employees are not paid for unused sick time.

Compensated absence liabilities have not been recorded because these benefits are not vested.

*vi) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Village's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

During the year ended December 31, 2004, the Village did not incur expenditures that were significantly in excess of the amounts appropriated. All excess amounts were funded through available carryover funds.

**NOTE 3 - CASH:**

Cash, as presented in the accompanying financial statements, consisted of the following:

	<u>Primary government</u>	<u>Component units</u>	<u>Totals</u>
Cash on hand	\$ 250	\$ -	\$ 250
Deposits	<u>2,971,265</u>	<u>27,862</u>	<u>2,999,127</u>
Total cash	<u>\$ 2,971,515</u>	<u>\$ 27,862</u>	<u>\$ 2,999,377</u>



**Village of Middleville**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 3 - CASH (Continued):**

*Deposits with financial institutions:*

Deposits are carried at cost and are maintained at various financial institutions in the name of the Village. State statutes and the Village's investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Village's deposits are in accordance with statutory authority. At December 31, 2004, the Village and its component units have deposits with a carrying amount of \$2,999,127 and a bank balance of \$3,041,489. Of the bank balance, \$700,000 is covered by federal depository insurance and \$2,341,489 is uninsured. The Village maintains individual and pooled cash accounts for all of its funds and its component units. Due to use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component units. The insured portion of the bank balance has been allocated entirely to the primary government.

**NOTE 4 - RECEIVABLES:**

At December 31, 2004, the Village's receivables were as follows:

	<u>Accounts</u>	<u>Property taxes</u>	<u>Inter- govern- mental</u>	<u>Special assessments</u>	<u>Totals</u>
Governmental activities:					
General Fund	\$ 22,369	\$ 60,978	\$ 86,677	\$ -	\$ 170,024
Major Street Fund	-	-	21,180	-	21,180
Local Street Fund	-	-	7,134	-	7,134
Total governmental activities	<u>\$ -</u>	<u>\$ 60,978</u>	<u>\$ 114,991</u>	<u>\$ -</u>	<u>\$ 198,338</u>
Business-type activities:					
Sewer Fund	\$ 129,194	\$ -	\$ 186,977	\$ 487,100	\$ 803,271
Water Fund	<u>39,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,820</u>
Total business-type activities	<u>\$ 169,014</u>	<u>\$ -</u>	<u>\$ 186,977</u>	<u>\$ 487,100</u>	<u>\$ 843,091</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449,671</u>	<u>\$ 449,671</u>

**Village of Middleville**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended December 31, 2004, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets being depreciated:				
Land improvements	\$ 44,918	\$ -	\$ -	\$ 44,918
Buildings	630,608	-	-	630,608
Furniture, fixtures, and equipment	153,214	16,431	-	169,645
Vehicles	285,691	-	23,206	262,485
Total capital assets being depreciated	<u>1,114,431</u>	<u>16,431</u>	<u>23,206</u>	<u>1,107,656</u>
Less accumulated depreciation for:				
Land improvements	6,493	2,246	-	8,739
Buildings	124,732	17,115	-	141,847
Furniture, fixtures, and equipment	103,887	9,797	-	113,684
Vehicles	218,455	24,039	23,206	219,288
Total accumulated depreciation	<u>453,567</u>	<u>53,197</u>	<u>23,206</u>	<u>483,558</u>
Governmental activities capital assets, net	<u>\$ 660,864</u>	<u>\$ (36,766)</u>	<u>\$ -</u>	<u>\$ 624,098</u>
Business-type activities:				
Capital assets not being depreciated - land	\$ 43,130	\$ -	\$ -	\$ 43,130
Capital assets being depreciated:				
Sewer system	5,128,100	103,378	-	5,231,478
Water system	1,241,023	108,941	-	1,349,964
Equipment	242,343	-	-	242,343
Total capital assets being depreciated	<u>6,611,466</u>	<u>212,319</u>	<u>-</u>	<u>6,823,785</u>
Less accumulated depreciation for:				
Sewer system	945,642	107,039	-	1,052,681
Water system	402,816	27,916	-	430,732
Equipment	201,850	4,866	-	206,716
Total accumulated depreciation	<u>1,550,308</u>	<u>139,821</u>	<u>-</u>	<u>1,690,129</u>
Business-type activities capital assets, net	<u>5,061,158</u>	<u>72,498</u>	<u>-</u>	<u>5,133,656</u>
Total business-type activities capital assets, net	<u>\$ 5,104,288</u>	<u>\$ 72,498</u>	<u>\$ -</u>	<u>\$ 5,176,786</u>

**Village of Middletown**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 5 - CAPITAL ASSETS (Continued):**

Depreciation expense was charged to governmental activities as follows:

General government	\$ 13,346
Depreciation on capital assets held by internal service fund	<u>39,851</u>
Total governmental activities	<u>\$ 53,197</u>

**NOTE 6 - DUE FROM/TO PRIMARY GOVERNMENT AND COMPONENT UNIT:**

The amount due to the primary government from a component unit at December 31, 2004, follows:

<u>Entity</u>	<u>Receivable</u>	<u>Entity</u>	<u>Payable</u>
Primary government:		Component unit:	
General Fund	<u>\$ 95,291</u>	Downtown Development Authority	<u>\$ 95,291</u>

The balance represents temporary cash flow assistance.

**NOTE 7 - INTERFUND TRANSFER:**

The interfund transfer for the year ended December 31, 2004, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Local Street Fund	<u>\$ 268,400</u>	General Fund	<u>\$ 268,400</u>

The transfer to the Local Street Fund represents support for street preservation and repairs and to eliminate the opening fund balance deficit of \$94,059.

**NOTE 8 - ADVANCES TO COMPONENT UNITS:**

The General Fund advanced \$330,000 to the Local Development Finance Authority, a component unit of the Village, to finance a portion of the cost of road reconstruction. The agreement between the two entities requires annual payments of \$66,000, plus interest at 6.5%, through 2005. The balance at December 31, 2004, is \$66,000.

The General Fund advanced \$310,387 to the Downtown Development Authority, a component unit of the Village, to finance the Authority's share of construction costs related to the High Street parking lot and Stagecoach Park. The agreement between the two entities requires annual payments of \$28,182 through 2014, plus interest. The interest rate has been set at 4.7% for 2004 and will be determined on an annual basis. The balance at December 31, 2004, is \$281,987.

**Village of Middleville**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 9 - PAYABLES:**

At December 31, 2004, the Village's payables were as follows:

	<u>Accounts</u>	<u>Interest</u>	<u>Totals</u>
Governmental activities:			
General Fund	\$ 35,668	\$ -	\$ 35,668
Major Street Fund	40,823	-	40,823
Local Street Fund	<u>14,854</u>	<u>-</u>	<u>14,854</u>
Total governmental activities	<u>\$ 91,345</u>	<u>\$ -</u>	<u>\$ 91,345</u>
Business-type activities:			
Sewer Fund	\$ 28,443	\$ 19,200	\$ 47,643
Water Fund	<u>10,724</u>	<u>-</u>	<u>10,724</u>
Total business-type activities	<u>\$ 39,167</u>	<u>\$ 19,200</u>	<u>\$ 58,367</u>

**NOTE 10 - LONG-TERM LIABILITIES:**

At December 31, 2004, long-term liabilities are comprised of the following individual issues:

Business-type activities:

Notes payable:

\$1,125,000 1994 Barry County contract payable - payable in annual installments ranging from \$50,000 to \$75,000, plus interest at 3.9% to 6.9%; final payment due October 2018 \$ 900,000

\$1,870,000 2003 Barry County contract payable - payable in annual installments ranging from \$35,000 to \$220,000, plus interest at 2.0% to 3.8%; final payment due November 2014 1,835,000

Total primary government long-term obligations \$ 2,735,000

Long-term liability activity for the year ended December 31, 2004, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Business-type activities:					
1999 Contract payable	\$ 950,000	\$ -	\$ (50,000)	\$ 900,000	\$ 160,000
2003 Contract payable	<u>1,870,000</u>	<u>-</u>	<u>(35,000)</u>	<u>1,835,000</u>	<u>50,000</u>
Total notes payable	<u>\$ 2,820,000</u>	<u>\$ -</u>	<u>\$ (85,000)</u>	<u>\$ 2,735,000</u>	<u>\$ 210,000</u>

**Village of Middleville**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 10 - LONG-TERM LIABILITIES (Continued):**

At December 31, 2004, debt service requirements were as follows:

<i>Year ended</i> <i>December 31,</i>	<i>Business-type activities</i>	
	<i>Principal</i>	<i>Interest</i>
2005	\$ 210,000	\$ 95,058
2006	205,000	89,858
2007	225,000	84,732
2008	220,000	78,719
2009	240,000	72,345
2010 - 2014	1,335,000	233,161
2015 - 2019	<u>300,000</u>	<u>35,962</u>

All debt is secured by the full faith and credit of the Village.

**NOTE 11 - DEFINED BENEFIT PENSION PLAN:**

*Plan description:*

The Village's defined benefit pension plan provides retirement benefits to qualified employees and their beneficiaries. The Village's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the Village. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

*Funding policy:*

Contribution rates for each participating employer and its covered employees are established, and may be amended, by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are not required to contribute to the plan. Participating employers are required to contribute amounts necessary to finance the coverage of their employees through periodic contributions at actuarially-determined rates. Administrative costs of the plan are financed through investment earnings.

*Annual pension cost:*

For the year ended December 31, 2004, the Village's annual pension cost of \$-0- for its defined benefit pension plan was equal to the required and actual contributions. Contributions have not been required for the past three years. Significant actuarial assumptions used included a) 8% investment rate of return, net of administrative expenses, b) projected salary increases of 4.5% per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized over a closed period of 30 years as a level percentage of payroll.

**Village of Middleville**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued):**

*Three-year trend information:*

For the years ended December 31, 2004, 2003, and 2002, the Village was not required to make a contribution into the plan.

**NOTE 12 - CLAIMS ARISING FROM RISKS OF LOSS:**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village has joined together with other local governmental units in the state to form the Michigan Municipal League Insurance Pool (MML), a public entity risk pool currently operating as a common risk management and insurance program for local governmental units within the state. The Village pays an annual premium to MML for all of its insurance coverage's. MML is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$2,000,000 for each insured event.

**NOTE 13 - ECONOMIC DEPENDENCY:**

For the year ended December 31, 2004, the Village received approximately 21% of its property tax revenues and 14% of its utility revenues from one industrial property owner.

**NOTE 14 - CONSTRUCTION COMMITMENTS:**

The Village has active construction projects as of December 31, 2004. Its 2004 Street Resurfacing and Utility Improvements Project involves resurfacing existing streets, adjusting or replacing sewer and water mains, and curb and gutter replacement. A second project involved the realignment of Arlington Court. At year end, the Village's commitments with contractors are as follows:

	<i>Project authorization</i>	<i>Expended through December 31, 2004</i>	<i>Committed</i>
2004 Street Resurfacing and Utility Improvement Project	\$ 488,101	\$ 383,782	\$ 104,319
Arlington Court Realignment Project	56,700	28,350	28,350

The street improvement portion of the commitment is being funded by existing resources of the Major Street and Local Street funds. A transfer of existing resources from the General Fund was made in 2004 to fund the Village's fifty percent share of local street improvements. Available resources from the Sewer and Water funds are being used to fund the utility improvement portion of the commitments.

**NOTE 15 - ACCUMULATED DEFICITS:**

The Middleville Local Development Finance Authority, a discretely-presented component unit, has an accumulated deficit in total net assets in the amount of \$161,291. The deficit is the result of revenues inadequate to cover the costs of a road reconstruction project in 2000. The deficit will be eliminated through the collection of property taxes in subsequent years.

**Village of Middleville**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 15 - ACCUMULATED DEFICITS (Continued):**

The Middleville Downtown Development Authority, a discretely-presented component unit, has an accumulated deficit in total net assets in the amount of \$254,125. The deficit is the result of revenues inadequate to cover the costs of a road reconstruction project in 2002. The deficit will be eliminated through the collection of property taxes in subsequent years.

**NOTE 16 - PRIOR PERIOD ADJUSTMENTS:**

Prior period adjustments have been recorded in 2004 that resulted in net asset restatements. Net assets as of January 1, 2004, included in the financial statements, represent restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded:

Enterprise funds:

Beginning of year, as previously reported	\$ 5,276,959
Prior period adjustment - overstatement of special assessments receivable	<u>(22,983)</u>
Beginning of year, as restated	<u>\$ 5,253,976</u>

Component unit - Downtown Development Authority:

Beginning of year, as previously reported	\$ (231,031)
Prior period adjustment - understatement of amount due to other governmental units	<u>(72,252)</u>
Beginning of year, as restated	<u>\$ (303,283)</u>

**NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLES:**

Effective January 1, 2004, the Village implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change:

Net assets, as previously reported (General and special revenue funds)	\$ 1,066,936
Capitalization of capital assets, net of accumulated depreciation, not previously reported	316,226
Net assets of the internal service funds are included in governmental activities in the statement of net assets	<u>575,578</u>
Net assets, as restated	<u>\$ 1,958,740</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**



**Village of Middleville****BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended December 31, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 858,882	\$ 858,882	\$ 733,710	\$ (125,172)
State grants	200,000	243,602	242,437	(1,165)
Charges for services	27,168	24,496	30,862	6,366
Licenses and permits	4,500	4,500	4,194	(306)
Interest and rentals	16,095	16,095	29,864	13,769
Other	12,200	12,200	10,047	(2,153)
Total revenues	<u>1,118,845</u>	<u>1,159,775</u>	<u>1,051,114</u>	<u>(108,661)</u>
<b>EXPENDITURES</b>				
Legislative	<u>17,036</u>	<u>17,294</u>	<u>16,492</u>	<u>802</u>
General government:				
Manager	66,581	73,750	70,785	2,965
Finance Director	33,209	35,360	32,498	2,862
Elections	1,134	1,171	1,104	67
Professional fees	37,000	39,076	30,185	8,891
Clerk	3,709	3,719	421	3,298
Treasurer	6,099	6,099	3,997	2,102
Building and grounds	30,350	30,350	24,599	5,751
Nondepartmental	93,735	96,071	78,507	17,564
Total general government	<u>271,817</u>	<u>285,596</u>	<u>242,096</u>	<u>43,500</u>
Public safety:				
Police protection	194,623	211,478	209,968	1,510
Crossing guards	6,166	6,590	5,551	1,039
Total public safety	<u>200,789</u>	<u>218,068</u>	<u>215,519</u>	<u>2,549</u>
Public works:				
Public works department	92,670	95,107	85,224	9,883
Street lighting	35,000	36,812	26,846	9,966
Environmental control	40,848	46,188	44,292	1,896
Hydrant rental	41,500	41,500	41,500	-
Sidewalks	64,510	65,119	16,361	48,758
Total public works	<u>274,528</u>	<u>284,726</u>	<u>214,223</u>	<u>70,503</u>

**Village of Middleville****BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended December 31, 2004

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Community and economic development - planning and zoning	<u>\$ 105,348</u>	<u>\$ 107,439</u>	<u>\$ 97,981</u>	<u>\$ 9,458</u>
Recreation and culture	<u>49,075</u>	<u>52,519</u>	<u>45,371</u>	<u>7,148</u>
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total expenditures	<u>943,593</u>	<u>990,642</u>	<u>831,682</u>	<u>158,960</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>175,252</u>	<u>169,133</u>	<u>219,432</u>	<u>50,299</u>
<b>OTHER FINANCING USES</b>				
Transfer to Local Street Fund	<u>(268,400)</u>	<u>(268,400)</u>	<u>(268,400)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(93,148)</u>	<u>(99,267)</u>	<u>(48,968)</u>	<u>50,299</u>
<b>FUND BALANCES - BEGINNING</b>	<u>661,472</u>	<u>661,472</u>	<u>661,472</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 568,324</u>	<u>\$ 562,205</u>	<u>\$ 612,504</u>	<u>\$ 50,299</u>

**Village of Middleville****BUDGETARY COMPARISON SCHEDULE - Major Street Fund**

Year ended December 31, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grants	\$ 112,000	\$ 142,719	\$ 142,332	\$ 387
Interest	<u>4,320</u>	<u>4,320</u>	<u>2,965</u>	<u>1,355</u>
Total revenues	<u>116,320</u>	<u>147,039</u>	<u>145,297</u>	<u>(1,742)</u>
<b>EXPENDITURES</b>				
Public works:				
Preservation	140,075	140,075	106,315	33,760
Routine maintenance	40,602	40,706	26,507	14,199
Winter maintenance	31,661	37,104	33,300	3,804
Traffic services	<u>6,020</u>	<u>6,020</u>	<u>3,904</u>	<u>2,116</u>
Total expenditures	<u>218,358</u>	<u>223,905</u>	<u>170,026</u>	<u>53,879</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(102,038)	(76,866)	(24,729)	52,137
<b>OTHER FINANCING USES</b>				
Transfer to Local Street Fund	<u>(24,000)</u>	<u>(24,000)</u>	<u>-</u>	<u>24,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	(126,038)	(100,866)	(24,729)	76,137
<b>FUND BALANCES - BEGINNING</b>	<u>486,656</u>	<u>486,656</u>	<u>486,656</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 360,618</u>	<u>\$ 385,790</u>	<u>\$ 461,927</u>	<u>\$ 76,137</u>

**Village of Middleville**  
**BUDGETARY COMPARISON SCHEDULE - Local Street Fund**  
Year ended December 31, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grants	\$ 39,000	\$ 48,002	\$ 47,892	\$ 110
Interest	<u>720</u>	<u>720</u>	<u>356</u>	<u>364</u>
Total revenues	<u>39,720</u>	<u>48,722</u>	<u>48,248</u>	<u>(474)</u>
<b>EXPENDITURES</b>				
Public works:				
Preservation	169,259	198,297	154,545	43,752
Routine maintenance	20,423	20,527	12,877	7,650
Winter maintenance	26,461	26,565	22,848	3,717
Traffic services	<u>2,627</u>	<u>2,645</u>	<u>2,143</u>	<u>502</u>
Total expenditures	<u>218,770</u>	<u>248,034</u>	<u>192,413</u>	<u>55,621</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(179,050)</u>	<u>(199,312)</u>	<u>(144,165)</u>	<u>55,147</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer from General Fund	268,400	268,400	268,400	-
Transfer from Major Street Fund	<u>24,000</u>	<u>24,000</u>	<u>-</u>	<u>(24,000)</u>
Total other financing sources	<u>292,400</u>	<u>292,400</u>	<u>268,400</u>	<u>(24,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	113,350	93,088	124,235	31,147
<b>FUND BALANCES - BEGINNING</b>	<u>(94,059)</u>	<u>(94,059)</u>	<u>(94,059)</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 19,291</u>	<u>\$ (971)</u>	<u>\$ 30,176</u>	<u>\$ 31,147</u>

**Village of Middleville**  
**ANALYSIS OF FUNDING PROGRESS - Employee Retirement System**  
**(Municipal Employees' Retirement System of Michigan)**

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The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated.

Actuarial valuation date <u>December 31,</u>	Actuarial value of assets <u>(a)</u>	Actuarial accrued liability (AAL) entry age <u>(b)</u>	Funded ratio <u>(a)/(b)</u>	(Over- funded) AAL <u>(b-a)</u>	Covered payroll <u>(c)</u>	(Over- funded) AAL as a percentage of covered payroll <u>((b-a)/c)</u>
1994	\$ 333,346	\$ 192,218	173%	\$ (141,128)	\$ 173,935	-81%
1995	368,646	269,437	137%	(99,209)	176,240	-56%
1996	407,942	304,495	134%	(103,447)	149,025	-69%
1997	449,493	353,041	127%	(96,452)	151,177	-64%
1998	499,700	436,073	115%	(63,627)	158,269	-40%
1999	568,258	379,920	150%	(188,338)	191,809	-98%
2000	616,154	510,260	121%	(105,894)	255,306	-41%
2001	651,394	578,113	113%	(73,281)	264,364	-28%
2002	663,155	607,675	109%	(55,480)	273,594	-20%

## **SUPPLEMENTARY DATA**

**Village of Middleville****SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS****\$1,125,000 1999 BARRY COUNTY CONTRACT PAYABLE**

December 31, 2004

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<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>April 1</i>	<i>October 1</i>			
2005	\$ 20,337	\$ 20,337	10/1/05	\$ 50,000	\$ 90,674
2006	19,338	19,338	10/1/06	50,000	88,676
2007	18,325	18,325	10/1/07	50,000	86,650
2008	17,288	17,288	10/1/08	50,000	84,576
2009	16,225	16,225	10/1/09	50,000	82,450
2010	15,150	15,150	10/1/10	50,000	80,300
2011	14,062	14,062	10/1/11	75,000	103,124
2012	12,394	12,394	10/1/12	75,000	99,788
2013	10,687	10,687	10/1/13	75,000	96,374
2014	8,944	8,944	10/1/14	75,000	92,888
2015	7,181	7,181	10/1/15	75,000	89,362
2016	5,400	5,400	10/1/16	75,000	85,800
2017	3,600	3,600	10/1/17	75,000	82,200
2018	1,800	1,800	10/1/18	75,000	78,600
	<u>\$ 170,731</u>	<u>\$ 170,731</u>		<u>\$ 900,000</u>	<u>\$ 1,241,462</u>

**Village of Middleville****SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS****\$1,870,000 2003 BARRY COUNTY CONTRACT PAYABLE**

December 31, 2004

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<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>May 1</i>	<i>November 1</i>			
2005	\$ 27,191	\$ 27,191	11/1/05	\$ 160,000	\$ 214,382
2006	25,591	25,591	11/1/06	155,000	206,182
2007	24,041	24,041	11/1/07	175,000	223,082
2008	22,073	22,073	11/1/08	170,000	214,146
2009	19,948	19,948	11/1/09	190,000	229,896
2010	17,383	17,383	11/1/10	185,000	219,766
2011	14,515	14,515	11/1/11	180,000	209,030
2012	11,478	11,478	11/1/12	205,000	227,956
2013	7,787	7,787	11/1/13	195,000	210,574
2014	<u>4,180</u>	<u>4,180</u>	11/1/14	<u>220,000</u>	<u>228,360</u>
	<u>\$ 174,187</u>	<u>\$ 174,187</u>		<u>\$ 1,835,000</u>	<u>\$ 2,183,374</u>



***Village of Middleville***

**LOCAL DEVELOPMENT FINANCE AUTHORITY**

**SCHEDULE OF ADVANCE RETIREMENT AND ANNUAL INTEREST REQUIREMENTS**

**\$330,000 2000 LONG-TERM ADVANCE FROM GENERAL FUND**

*December 31, 2004*

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<i><u>Fiscal</u></i> <i><u>period</u></i>	<i><u>Interest</u></i> <i><u>July 1</u></i>	<i><u>Maturity</u></i> <i><u>date</u></i>	<i><u>Principal</u></i>	<i><u>Total</u></i> <i><u>requirements</u></i>
2005	<u>\$ 4,290</u>	7/1/05	<u>\$ 66,000</u>	<u>\$ 70,290</u>

***Village of Middleville***

**DOWNTOWN DEVELOPMENT AUTHORITY**

**SCHEDULE OF ADVANCE RETIREMENT AND ANNUAL INTEREST REQUIREMENTS**

**\$310,387 2002 LONG TERM ADVANCE FROM GENERAL FUND**

*December 31, 2004*

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<i><u>Fiscal period</u></i>	<i><u>Interest July 1</u></i>	<i><u>Maturity date</u></i>	<i><u>Principal</u></i>	<i><u>Total requirements</u></i>
2005	\$ 13,245	7/1/05	\$ 28,182	\$ 41,427
2006	11,921	7/1/06	28,182	40,103
2007	10,596	7/1/07	28,182	38,778
2008	9,272	7/1/08	28,182	37,454
2009	7,947	7/1/09	28,182	36,129
2010	6,623	7/1/10	28,182	34,805
2011	5,298	7/1/11	28,182	33,480
2012	3,974	7/1/12	28,182	32,156
2013	2,649	7/1/13	28,182	30,831
2014	<u>1,325</u>	7/1/14	<u>28,349</u>	<u>29,674</u>
	<u>\$ 72,850</u>		<u>\$ 281,987</u>	<u>\$ 354,837</u>